

BANK INDONESIA REGULATION

NUMBER: 6/ 17 /PBI/2004

CONCERNING

RURAL BANKS BASED ON SHARIA PRINCIPLES

THE GOVERNOR OF BANK INDONESIA,

- Considering:**
- a. whereas the developments taking place in the national economy necessitate a strong national banking system capable of providing services to all levels of society, including small, medium, and micro entrepreneurs, in both rural and urban areas;
 - b. whereas the sharia banking system in Indonesia, representing one part of the infrastructure in the national banking system, has achieved vigorous growth;
 - c. whereas to promote the role of sharia banking for optimum expansion of sharia banking services for medium, small, and micro enterprises, empowerment is needed for Rural Banks conducting business based on sharia principles;
 - d. whereas to further promote the growth of Rural Banks conducting business based on sharia principles, it is necessary to have clear, comprehensive regulation of activities providing legal certainty;
 - e. now therefore it is deemed necessary to enact new provisions in replacement of former provisions concerning Rural Banks conducting business based on sharia principles.

In view of

- In view of:**
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette Number 4357);

HAS DECREED:

**To enact : THE BANK INDONESIA REGULATION CONCERNING
RURAL BANKS BASED ON SHARIA PRINCIPLES.**

**CHAPTER I
GENERAL PROVISIONS**

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Sharia Rural Bank,” hereinafter referred to as SRB, is a Rural Bank as defined in Article 1 number 4 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, conducting business based on sharia principles;
2. Rural Bank

2. “Rural Bank”, hereinafter referred to as RB, is a Rural Bank as defined in Article 1 number 4 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, conducting conventional business;
3. “Branch Office” is an SRB office directly responsible to the head office of the SRB concerned, which conducts business at a permanent address;
4. “Cash Unit” is an office under a Branch Office whose business is to provide cash services in support of its parent Branch Office;
5. “Outdoor Cash Service” is the provision of cash services to existing customers of an SRB, including but not limited to:
 - a. “Mobile Cash Service” or “Floating Cash Service” is a cash service using land or water transportation;
 - b. “Payment Point” is an activity for payment services operated by means of cooperation between the SRB and other parties who are customers of the SRB;
 - c. “Automated Teller Machine” (ATM) is an electronic cash service operating as a convenience for customers for cash withdrawal or deposit, transfer between accounts, and obtaining information on account entries and balances;
6. “Business Based on Sharia Principles” is banking business conducted under Sharia Principles as referred to in Article 1 paragraph 13 of Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998;
7. “National Sharia Council” is a council established by the Indonesian Ulama Council, charged with the task of and empowered to issue fatwas concerning products and services in the business of sharia banks;
8. “Sharia Supervisory Board” is a board performing the supervision of sharia principles in the business of an SRB;
9. “Board of Directors”:
 - a. for an

- a. for an SRB incorporated as a Limited Liability Company, is the board of directors as referred to in Article 1 paragraph 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
 - b. for an SRB incorporated as a Regional Government Enterprise, is the board of directors as referred to in Article 11 of Act Number 5 of 1962 concerning Regional Government Enterprises;
 - c. for an SRB incorporated as a Cooperative, is the management board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives;
10. “Board of Commissioners”:
- a. for an SRB incorporated as a Limited Liability Company, is the board of commissioners as referred to in Article 1 paragraph 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
 - b. for an SRB incorporated as a Regional Government Enterprise, is the board of commissioners as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
 - c. for an SRB incorporated as a Cooperative, is the supervisory board as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives;
11. “Executive Officer” is an officer directly responsible to the board of directors of a bank or a company, or who exerts influence on the policy and operations of a bank or company, including but not limited to the management of an SRB Branch Office;
12. “Controlling Shareholder” is a legal and/or natural person and/or business group that:
- a. owns shares in the SRB at 25% (twenty-five percent) or more of the total shares issued by the SBR with voting rights; or

b. owns

- b. owns shares in the SRB at less than 25% (twenty-five percent) of the total shares issued by the SRB with voting rights, but can be proven to exercise control of the SRB whether directly or indirectly.

Article 2

An SRB may be legally incorporated as a:

- a. Limited Liability Company;
- b. Cooperative; or
- c. Regional Government Enterprise.

CHAPTER II

LICENSING

Part One

Establishment of SRBs

Article 3

- (1) An SRB may only be established with a license from the Board of Governors of Bank Indonesia.
- (2) A license as referred to in paragraph (1) shall be granted in two stages:
 - a. approval in principle, namely approval to conduct preparations for establishment of the SRB;
 - b. operating license, meaning a license to conduct business as SRB after the preparations referred to in letter a are completed.

Article 4

The minimum paid up capital for establishment of an SRB is stipulated at:

- a. Rp 2,000,000,000 (two billion rupiahs) for an SRB established in the Capital City Territory of Jakarta and the Regencies/Municipalities of Tangerang, Bogor, Depok, and Bekasi;
- b. Rp 1,000,000,000....

- b. Rp 1,000,000,000 (one billion rupiahs) for an SRB established in a provincial capital outside the regions referred to in the above letter a;
- c. Rp 500,000,000 (five hundred million rupiahs) for an SRB established outside the regions referred to in the above letter a and letter b.

Article 5

An SRB may only be established and owned by:

- a. Indonesian citizens;
- b. an Indonesian legal entity wholly owned by Indonesian citizens;
- c. a Regional Government; or
- d. two or more of the parties referred to letter a, letter b, and letter c.

Part Two

Approval in Principle

Article 6

- (1) Application for approval in principle as referred to in Article 3 paragraph (2) shall be submitted by at least one of the proposed owners to the Board of Governors of Bank Indonesia, enclosing the following:
 - a. draft deed of incorporation, including draft articles of association, stating at least the following:
 - 1. name and place of domicile;
 - 2. scope of business as SRB;
 - 3. capital;
 - 4. ownership;
 - 5. powers, responsibilities, and term of office of the Board of Commissioners and Board of Directors;
 - 6. duties, powers, and responsibilities of the Sharia Supervisory Board.
 - b. ownership data as follows:

1. list of

1. list of proposed shareholders and details of each individual shareholding, for an SRB incorporated as a Limited Liability Company/Regional Government Enterprise;
2. list of proposed members and details of principal savings and mandatory savings and list of endowments, for an SRB incorporated as a Cooperative;
- c. list of candidates for the Board of Commissioners, Board of Directors, and Sharia Supervisory Board, enclosing for each:
 1. photocopy of identity card (KTP);
 2. curriculum vitae;
 3. personal statement that the candidate has never committed any disgraceful acts in banking, financial, or other business and/or has never been convicted of a felony and is not under imposition of sanctions prohibiting the candidate from serving on the management of a bank and/or Rural Bank as stipulated in the Fit and Proper Test provisions established by Bank Indonesia;
 4. personal statement declaring that the person concerned has never been declared bankrupt and never been a shareholder or member of the Board of Directors or Board of commissioners found at fault in causing a company to be declared bankrupt on the basis of a court decision during the period of 5 (five) years prior to the date of application;
 5. statement or written evidence from the former bank of employment regarding experience in banking operations, for an experienced candidate for the Board of Directors;
 6. statement from a banking educational institution concerning education received in sharia banking, for a candidate for the Board of Directors without previous experience in sharia banking;

7. statement of

7. statement of not holding concurrent positions on the Sharia Supervisory Board at more than 2 (two) banking institutions and 2 (two) non-bank sharia financial institutions, for members of the Sharia Supervisory Board;
8. statement or other written evidence from the former bank of employment regarding experience in banking, for an experienced candidate for the Board of Commissioners;
9. statement from a banking educational institution concerning education received in banking, for a candidate for the Board of Commissioners without previous experience;
10. personal statement from each member of the Board of Commissioners and Board of Directors that the party concerned does not have family ties with:
 - (a) any other member of the Board of Directors, whether as parent including mother-in-law or father-in-law, child including son-in-law and daughter-in-law, biological brother or sister, including brother-in-law and sister-in-law, or as husband or wife;
 - (b) Board of Commissioners as parent, child, and husband or wife;
- d. planned organizational structure, including personnel;
- e. business plan for the first 3 (three) years, stating at least the following:
 1. business plan for mobilization and channeling of funds, and steps to be taken to carry out this plan;
 2. planned personnel requirements;
 3. monthly cash flow projection for 36 (thirty-six) months from the date that the SRB commences operations, and balance sheet and income statement projection;
- f. feasibility study on the establishing of the SRB, including but not limited to findings of a study on market opportunities and economic potential in

the Regency

the Regency/Municipality of the domicile and operating territory of the SRB;

- g. proof of payment of capital amounting to not less than 30% (thirty percent) of paid-up capital as referred to in Article 4, in the form of a photocopy of a *mudharabah* deposit slip in favor of "the Board of Governors of Bank Indonesia, q.q. one of the proposed owners for establishment of the SRB concerned," at a commercial bank based on sharia principles in Indonesia, which must be legalized by the issuing bank, stating that the funds may only be withdrawn after receipt of written approval of the Board of Governors of Bank Indonesia; and
- h. personal statements from the proposed shareholders, for an SRB incorporated as a Limited Liability Company/Regional Government Enterprise or personal statements from the proposed members for an SRB incorporated as a Cooperative, stating that the payment of capital referred to in letter g:
 - 1. does not originate from a loan or other financing facility in any form whatsoever from a bank and/or any other party;
 - 2. does not originate from any source prohibited under sharia principles.
 - 3. does not originate from nor is intended for money laundering.

(2) List of proposed shareholders or list of candidate members as referred to in paragraph (1) letter b:

- a. in the case of an individual, enclosing the documents referred to in paragraph (1) letter c number 1, number 2, number 3, and number 4;
- b. in the case of a legal entity, enclosing:
 - 1. deed of incorporation, including articles of association and amendments thereto approved by the competent authority;
 - 2. documentation as referred to in paragraph (1) letter c number 1, number 2, number 3, and number 4 for all members of the Board of Commissioners and Board of Directors of the legal entity concerned;

3. list of

3. list of shareholders and details of each individual shareholding, for a legal entity incorporated as a Limited Liability Company/Regional Government Enterprise, or list of members and details of principal savings and mandatory savings and list of endowments, for a legal entity incorporated as a Cooperative;
4. financial statement for end of the month prior to the date of submission of application for approval in principle;
5. financial statement for the legal entity, audited by a Public Accountant for the position at no more than 6 (six) months prior to the date of submission of application for approval in principle, for a legal entity with equity participation of Rp 1,000,000,000 (one billion rupiahs) or more;
6. in the case of ownership of an SRB by a Regional Government, the submitted financial statement shall comprise the Regional Budget for the current year, ratified by the Regional Assembly;
7. the entire structure of the business group related to the SRB and the legal entities owning the SRB up to the ultimate shareholder of the legal entity;
8.
 - i. the requirement to submit data on the business group structure as referred to in number 7 is waived if the owner of the SRB is a Regional Government;
 - ii. if there is any other owner than the Regional Government, the requirement for submission of the business group structure shall apply to that other owner;
9. personal statement from each proposed shareholder that the party concerned has submitted true and complete information on the business group structure of the SRB up to the ultimate shareholder;

10. personal

10. personal statement from the proposed Controlling Shareholder(s) declaring his/her/their willingness to resolve any capital or liquidity difficulties faced by the SRB in the course of its business.

Article 7

- (1) Approval or rejection of application for approval in principle as referred to in Article 3 paragraph (2) letter a shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. analyze, among others, the level of fair competition and saturation level among banks conducting business based on sharia principles and SRBs;
 - c. interview the proposed Controlling Shareholder(s) and candidates for the Board of Commissioners, candidates for the Board of Directors, and Sharia Supervisory Board.
- (3) In addition to the provisions referred to in paragraph (2), the parties applying for establishment of the Bank shall conduct a presentation for Bank Indonesia on the entire plan for establishment of the Bank.

Article 8

- (1) Approval in principle as referred to in Article 7 paragraph (1) shall be effective for 360 (three hundred and sixty) days after the date of its issue, and shall be non-extendable.
- (2) A party having obtained approval in principle is prohibited from conducting business prior to obtaining an operating license
- (3) If within the period referred to in paragraph (1), the proposed owners of the SRB have not submitted an application for an operating license to the Board of Governors of Bank Indonesia, the previously issued approval in principle shall be declared no longer valid.

Part Three ...

Part Three

Operating License

Article 9

Application for operating license as referred to in Article 3 paragraph (2) letter b shall be submitted by the Board of Directors of the SRB to the Board of Governors of Bank Indonesia, enclosing the following:

- a. deed of incorporation, including articles of association approved by the competent authority;
- b. ownership data comprising:
 1. list of shareholders and details of each individual shareholding, for an SRB incorporated as a Limited Liability Company or Regional Government Enterprise;
 2. list of members and details of principal savings, mandatory savings, and list of endowments, for an SRB incorporated as a Cooperative,each accompanied by documents as referred to in Article 6 paragraph (2), in the event of any change;
- c. list of members of the Board of Directors, Board of Commissioners, and Sharia Supervisory Board, accompanied by:
 1. recent 4 x 6 cm passport photographs;
 2. specimen signatures and initials;
 3. documents as referred to in Article 6 paragraph (1) letter c, in the event of any change;
- d. organizational structure, including composition of personnel in the event of any change, and working systems and procedures;
- e. proof of payment of paid up capital as referred to in Article 4, in the form of a photocopy of a *mudharabah* deposit slip in favor of "the Board of Governors of Bank Indonesia, q.q. one of the owners of the SRB concerned" at a commercial bank based on sharia principles in Indonesia, which must be legalized

legalized by the issuing bank, stating that the funds may be withdrawn only after written approval of the Board of Governors of Bank Indonesia;

- f. proof of operational readiness, including but not limited to:
 - 1. list of fixed assets and inventory;
 - 2. proof of occupancy in the form of ownership, control or leasing arrangements for office premises;
 - 3. photographs of the office building, and layout of office space;
 - 4. specimen forms/slips to be used in the operations of the SRB;
 - 5. bookkeeping system to be used in the SRB operations;
 - 6. Taxpayer Identification Number (NPWP) and Corporate Registration (TDP); and
 - 7. supporting facilities for sharia supervision.
- g. personal statements by the shareholders, for an SRB incorporated as a Limited Liability Company/Regional Government Enterprise, or by members, for an SRB incorporated as a Cooperative, stating that the payment of capital referred to in letter e:
 - 1. does not originate from any loan or financing facility in any form whatsoever, extended by any other bank and/or other party;
 - 2. does not originate from any source prohibited under Sharia Principles;
 - 3. does not originate from nor is intended for money laundering.
- h. personal statements of not holding concurrent positions in excess of prescribed limits:
 - 1. as member of the Board of Commissioners at 3 (three) other banks; or
 - 2. as member of the Board of Commissioners or Board of Directors, or as Executive Officer bearing full responsibility at no more than 2 (two) non-bank financial institutions/other companies,for members of the Board of Commissioners;
- i. personal statements that each member of the Board of Directors does not hold any concurrent position as member of the Board of Commissioners or Board of Directors

of Directors or as Executive Officer for any other banking institution, company, or other institution;

- j. personal statement from each member of the Board of Directors, declaring that the member concerned is willing to serve on the Board of Directors of the SRB for no less than 3 (three) years from the commencement of operations of the SRB and will not resign without prior approval from Bank Indonesia; and
- k. personal statement from each member of the Board of Commissioners and Board of Directors that the member concerned does not have family ties with:
 - (a) any other member of the Board of Directors, whether as parent including mother-in-law or father-in-law, child including son-in-law and daughter-in-law, biological brother or sister, including brother-in-law and sister-in-law, or as husband or wife;
 - (b) Board of Commissioners whether as parent, child, or husband or wife;
- l. Letter of appointment from the National Sharia Council, for a member of the Sharia Supervisory Board.

Article 10

- (1) Approval or rejection of application for operating license as referred to in Article 3 paragraph (2) letter b shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to approval or rejection of application as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. interview the owners and members of the Board of Commissioners, Board of Directors, and Sharia Supervisory Board in the event of replacement of any previous candidate.

Article 11

Article 11

- (1) An SRB having received an operating license from Board of Governors of Bank Indonesia shall open for business no later than 60 (sixty) days after the date of issuance of the operating license.
- (2) Report of opening for business as referred to in paragraph (1) shall be submitted by the Board of Directors of the SRB to Bank Indonesia no later than 10 (ten) days after the date of commencing operation.
- (3) If after the period referred to in paragraph (1), the SRB has not opened business, the previously issued operating license shall be declared no longer valid.

Article 12

An SRB having received an operating license from the Board of Governors of Bank Indonesia shall clearly state the words “*Bank Perkreditan Rakyat Syariah*” (Sharia Rural Bank) or “*BPR Syariah*” or “BPRS” in the inscription of its name.

CHAPTER III

OWNERSHIP AND CHANGE IN SRB CAPITAL

Article 13

- (1) Ownership of an SRB by an Indonesian legal entity as referred to in Article 5 shall not exceed the net worth of the legal entity concerned.
- (2) The provision concerning ownership as referred to in paragraph (1) shall be fulfilled at the time that the legal entity concerned pays up the capital for establishment of the SRB or at the time that the legal entity concerned increases the paid up capital of the SRB.

Article 14

Sources of funds prohibited from use in acquiring ownership of an SRB are as follows:

a. originating

- a. originating from any loan or financing facility in any form whatsoever from a bank and/or other party;
- b. originating from sources prohibited under sharia principles.
- c. originating from and intended for money laundering.

Article 15

- (1) Parties eligible to become owners of an SRB are parties:
 - a. not included on the list of persons barred from becoming shareholders and/or management of a bank and/or RB in accordance with the provisions stipulated by Bank Indonesia;
 - b. deemed to be of high integrity by Bank Indonesia.
- (2) Owners of an SRB deemed to be of high integrity as referred to in paragraph (1) letter b are parties who, among others:
 - a. possess good character and strong moral values;
 - b. comply with the applicable laws and regulations;
 - c. are willing to develop a sound SRB.
- (3) Controlling Shareholders, in addition to complying with the provisions referred to in paragraph (1), are also required to submit a personal statement declaring their willingness to resolve any capital or liquidity difficulties faced by the SRB in the course of its business.

Article 16

Any change in ownership resulting in change and/or emergence of a Controlling Shareholder of an SRB must have prior approval from Bank Indonesia and shall be subject to the procedure for replacement and/or addition of SRB owners as stipulated in the applicable laws and regulations concerning merger, consolidation, and acquisition.

Article 17

Article 17

- (1) Any replacement and/or change in owners which does not result in emergence of a Controlling Shareholder of an SRB shall be reported to Bank Indonesia no later than 30 (thirty) days in advance, enclosing the documents referred to in Article 6 paragraph (1) letter b and letter c numbers 1, 2, and 3.
- (2) Replacement and/or addition of owners of an SRB may proceed after receiving confirmation from Bank Indonesia.
- (3) Confirmation of replacement and/or addition of owners shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (4) Replacement and/or addition of owners as referred to in paragraph (2) shall be reported to Bank Indonesia no later than 10 (ten) days after the replacement or addition.

Article 18

- (1) Any change in composition of ownership which does not result in emergence of a Controlling Shareholder in an SRB shall be reported by the SRB to Bank Indonesia no later than 10 (ten) days after the change.
- (2) Any change in composition of ownership without addition of paid up capital shall be reported to Bank Indonesia, enclosing:
 - a. minutes of a general meeting of shareholders, if the Articles of Association require the convening of a General Meeting of Shareholders, meeting of members, or regional government regulation/decreed of the governor/decreed of the mayor/decreed of the regent;
 - b. proof of transfer of ownership of shares;
 - c. personal statements as referred to in Article 9 letter g; and
 - d. ownership data as referred to in Article 9 letter b.
- (3) Any change in composition of ownership accompanied by addition of paid up capital shall be reported to Bank Indonesia, enclosing:
 - a. proof of payment;
 - b. minutes of

- b. minutes of the general meeting of shareholders or meeting of members or regional government regulation/decreed of the governor/decreed of the mayor/decreed of the regent;
- c. personal statements as referred to in Article 9 letter g; and
- d. ownership data as referred to in Article 9 letter b.

Article 19

Any change in the authorized capital of an SRB shall be reported by the Board of Directors of the SRB to Bank Indonesia no later than 10 (ten) days after the date of receipt of approval of amendment to the Articles of Association by the competent authority, enclosing:

- a. minutes of the general meeting of shareholders or meeting of members or regional government regulation/decreed of the governor/decreed of the mayor/decreed of the regent; and
- b. deed of amendment to the articles of association approved by the competent authority.

CHAPTER IV

BOARD OF DIRECTORS, BOARD OF COMMISSIONERS, EXECUTIVE OFFICERS, AND SHARIA SUPERVISORY BOARD

Article 20

The management of an SRB shall consist of the Board of Directors and Board of Commissioners.

Article 21

- (1) Members of the Board of Directors and Board of Commissioners shall meet the following requirements:
 - a. integrity;
 - b. competence; and
 - c. financial reputation.

(2) Members

- (2) Members of the Board of Directors and Board of Commissioners meeting the integrity requirement as referred to in paragraph (1) letter a are parties who, among others:
- a. possess good character and strong moral values;
 - b. are committed to compliance with the applicable laws and regulations;
 - c. are strongly committed to the development of sound bank operations;
 - d. are not included on the list of barred persons under the provisions established by Bank Indonesia.
- (3) Members of the Board of Directors and Board of Commissioners meeting the requirement of competency as referred to in paragraph (1) letter b include but are not limited to the following:
- a. for candidates for the Board of Directors:
 - i. possess adequate knowledge in banking relevant to the position held;
 - ii. possess experience and expertise in banking and/or finance; and
 - iii. possess strategic management capability for development of a sound SRB;
 - b. for candidates for the Board of Commissioners:
 - i. possess adequate knowledge in banking relevant to the position held; and/or
 - ii. possess experience in banking.
- (4) Members of the Board of Directors and Board of Commissioners meeting the requirement of financial reputation as referred to in paragraph (1) letter c include but are not limited to the following:
- a. not included on the list of bad debts;
 - b. never declared bankrupt or served on a Board of Directors or Board of Commissioners found at fault in causing a company to be declared bankrupt during the period of 5 (five) years prior to nomination.

Article 22

- (1) Members of the Board of Directors of an SRB shall number no less than 2 (two) persons.
- (2) At least 50% (fifty percent) of the members of the Board of Directors, including the President Director, shall possess operational experience at least as follows:
 - a. 1 (one) year as officer in funding and/or financing in sharia banking; or
 - b. 4 (four) years as an employee in funding and/or financing in sharia banking; or
 - c. 2 (two) years as an officer in funding and/or credit in conventional banking and possessing knowledge in sharia banking.
- (3) The minimum level of formal education for members of the Board of Directors is Diploma III or Undergraduate.
- (4) Other members of the Board of Directors without experience in sharia banking shall be required to take training in sharia banking.
- (5) The President Director of an SRB shall be appointed from a party independent of the Controlling Shareholder(s).

Article 23

- (1) Members of the Board of Directors are prohibited from having family ties to the first degree, including family ties with other members of the Board of Directors or members of the Board of Commissioners.
- (2) Members of the Board of Directors of an SRB are prohibited from serving in concurrent positions as members of the Board of Directors or Board of Commissioners or as Executive Officers for any other banking institution, company, or other institution.
- (3) Members of the Board of Directors of an SRB are prohibited from granting general empowerment resulting in unlimited transfer of duties and authority.

(4) All

- (4) All members of the Board of Directors of an SRB must be domiciled within commuting distance of the Head Office of the SRB.

Article 24

- (1) Members of the Board of Commissioners shall number no less than 2 (two) persons and no more than 3 (three) persons.
- (2) At least 1 (one) member of the Board of Commissioners must be domiciled within commuting distance of the Head Office of the SRB.
- (3) Members of the Board of Commissioners are required to possess knowledge and/or experience in banking or other area of finance.
- (4) A member of the Board of Commissioners of an SRB may serve in concurrent positions only as:
 - i. member of the Board of Commissioners at no more than 3 (three) other banks; or
 - ii member of the Board of Commissioners or Board of Directors or Executive Officer with full responsibility at no more than 2 (two) other non-bank institutions/companies.

Article 25

Appointment or replacement of an Executive Officer of an SRB must be reported by the Board of Directors of the SRB to Bank Indonesia no later than 10 (ten) days after the effective date of appointment, enclosing:

- a. letter of appointment, and specifically in the case of Branch Manager, enclosing a letter of empowerment from the Board of Directors of the SRB;
- b. 1 (one) 4x6 cm passport photo taken during the last 1 (one) month;
- c. photocopy of identification in the form of Identity Card (KTP);
- d. curriculum vitae; and
- e. specimen signature and initials.

Article 26

Article 26

In the event of any conflict of interest, a member of the Board of Commissioners, member of the Board of Directors, and Executive Officer of an SRB shall be prohibited from taking actions potentially detrimental to the SRB and are required to disclose any such conflict of interest in each decision.

Article 27

An SRB shall establish and have a Sharia Supervisory Board domiciled at the head office of the SRB.

Article 28

- (1) Members of the Sharia Supervisory Board shall meet the following requirements:
 - a. integrity;
 - b. competence; and
 - c. financial reputation.
- (2) Members of the Sharia Supervisory Board meeting the integrity requirement as referred to in paragraph (1) letter a are parties who, among others:
 - a. possess good character and strong moral values;
 - b. are committed to compliance with the applicable laws and regulations;
 - c. are strongly committed to the development of sound bank operations;
 - d. are not included on the list of barred persons in accordance with the provisions established by Bank Indonesia.
- (3) Members of the Sharia Supervisory Board meeting the requirement of competency as referred to in paragraph (1) letter b are parties possessing, among others, knowledge and experience in sharia mu'amalah and general knowledge in banking and finance.

(4) Members of.....

- (4) Members of the Sharia Supervisory Board meeting the requirement of financial reputation as referred to in paragraph (1) letter c include but are not limited to parties:
- a. not included on the list of bad debts/financing;
 - b. never declared bankrupt or never served on a Board of Directors or Board of Commissioners found at fault in causing a company to be declared bankrupt during the period of 5 (five) years prior to nomination.

Article 29

- (1) The duties, powers and responsibilities of the Sharia Supervisory Board include but are not limited to:
- a. ascertain and monitor the compliance of the SRB operations with the fatwas issued by the National Sharia Council;
 - b. submit a report on the findings of sharia supervision no less than every 6 (six) months to the Board of Directors, Board of Commissioners, National Sharia Council, and Bank Indonesia;
 - c. assess the sharia aspects of operating procedures and products released by the SRB;
 - d. provide opinions from the aspect of sharia regarding the overall operations of the SRB in the published report of the SRB;
 - e. study new products and services to be released by the SRB in order to request a fatwa from the National Sharia Council;
 - f. If necessary, may request documents and explanations directly from an SRB unit and participate in internal discussions in the deliberations of the financing committee.

(2) The procedure

- (2) The procedure for reporting the findings of supervision by the Sharia Supervisory Board as referred to in paragraph (1) shall be stipulated further in a Circular Letter of Bank Indonesia.

Article 30

- (1) Members of the Sharia Supervisory Board shall number no less than 1 (one) person and no more than 3 (three) persons.
- (2) A member of the Sharia Supervisory Board of an SRB may only serve concurrently on the Sharia Supervisory Boards of no more than 2 (two) banking institutions and 2 (two) non-bank sharia financial institutions.
- (3) A member of the Sharia Supervisory Board of an SRB may serve in a concurrent position as member of the National Sharia Council.
- (4) A member of the Sharia Supervisory Board shall be categorized as an affiliated party of the SRB.

Article 31

- (1) An SRB is required to submit the candidates for the Board of Directors and members of the Board of Commissioners to Bank Indonesia for approval prior to appointment by a General Meeting of Shareholders or Meeting of Members.
- (2) An SRB is required to propose the candidates for the Sharia Supervisory Board to Bank Indonesia for approval and to the National Sharia Council for ruling prior to appointment and taking up their position.
- (3) Application for approval as referred to in paragraph (1) shall be submitted by the Board of Directors of the SRB to Bank Indonesia, enclosing the documents referred to in Article 9 letter c, letter h, letter i, letter j, and letter k.
- (4) Application

- (4) Application for approval as referred to in paragraph (2) shall be submitted by the Board of Directors of the SRB to Bank Indonesia, enclosing the documents referred to in Article 9 letter c
- (5) Application for ruling as referred to in paragraph (2) shall be submitted by the Board of Directors of the SRB to the National Sharia Council with a copy to Bank Indonesia.

Article 32

- (1) Approval or rejection of an application for appointment of members of the Board of Directors, Board of Commissioners, and/or Sharia Supervisory Board, shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (2) With regard to the approval or rejection of application as referred to in Article 31 paragraph (1) and paragraph (2), Bank Indonesia shall:
 - a. examine and verify the documents; and
 - b. interview the candidates for the Board of Directors, Board of Commissioners, and Sharia Supervisory Board.

Article 33

- (1) In the event that a General Meeting of Shareholders or Meeting of Members has appointed the members of the Board of Directors and/or Board of Commissioners prior to approval from Bank Indonesia as referred to in Article 32 paragraph (1) and Bank Indonesia does not approve the parties concerned, the SRB shall nominate new candidates for the Board of Directors and/or Board of Commissioners in accordance with the provisions referred to in Article 31 paragraph (3).
- (2) The SRB shall report the appointment of members of the Board of Directors and/or Board of Commissioners to Bank Indonesia no later than 10 (ten) days after

days after the effective date of appointment, enclosing the minutes of the general meeting of shareholders or minutes of the meeting of members.

- (3) The SRB shall report the appointment of members of the Sharia Supervisory Board to Bank Indonesia no later than 10 (ten) days after the effective date of appointment.

CHAPTER V

BUSINESS

Article 34

- (1) An SRB shall conduct business on the basis on sharia principles and on the basis of prudential principles.
- (2) The business of an SRB is to:
 - a. mobilize funds from the public in forms that include but are not limited to:
 1. savings deposits based on the *wadi'ah* or *mudharabah* principle;
 2. time deposits based on the *mudharabah* principle; and/or
 3. other form applying the *wadi'ah* or *mudharabah* principle;
 - b. channel funds in forms that include but are not limited to:
 1. sale and purchase transactions based on the principles of:
 - a) *murabahah*;
 - b) *istishna*; and/or
 - c) *salam*;
 2. leasing transactions under the *ijarah* principle;
 3. profit share financing based on the principles of:
 - a) *mudharabah*; and/or
 - b) *musyarakah*;
 4. financing based on the *qardh* principle.
 - c. conduct other activities not in contravention of the Act concerning Banking and sharia principles.

Article 35

Article 35

- (1) New products and services to be launched by an SRB must have prior approval from Bank Indonesia.
- (2) The Fixed Assets and Inventory of an SRB shall not exceed 25% (twenty-five percent) of the paid up capital of the SRB.

Article 36

- (1) An SRB is prohibited from converting business to that of a conventional Rural Bank.
- (2) An SRB is prohibited from conducting conventional business.

CHAPTER VI

OPENING OF SRB OFFICES

Part One

Opening of Branch Offices

Article 37

- (1) An SRB Branch Office may only be established with a license from the Board of Governors of Bank Indonesia.
- (2) An SRB may establish a Branch Office only in the same province as its head office.
- (3) An SRB having its head office in the area of the Capital City Territory of Jakarta and the Regencies/Municipalities of Tangerang, Bogor, Depok, and Bekasi may open branch offices within that area.
- (4) The plan for establishment of a Branch Office as referred to in paragraph (1) shall be disclosed in the annual work plan of the SRB.
- (5) To establish a Branch Office, an SRB shall meet the requirement for rating as sound during the previous 12 (twelve) months.

(6) When

- (6) When establishing a Branch Office, an SRB shall increase its paid up capital by not less than 50% (fifty percent) of the amount stipulated in Article 4 for each office.

Article 38

Application for license for establishment of a Branch Office as referred to in Article 37 paragraph (1) shall be submitted by the Board of Directors of the SRB to Bank Indonesia, enclosing the following:

- a. balance sheet and details of earning assets quality for the 2 (two) months prior to the date of application;
- b. plan for operational readiness for establishment of the Branch Office;
- c. feasibility study presenting at least the economic potential, market opportunities, saturation level and level of fair competition among banks conducting business based on sharia principles and SRBs, and monthly cash flow projection for 12 (twelve) months;
- d. work plan for Branch Office concerned for no less than 12 (twelve) months;
- e. proof of payment of paid up capital as referred to in Article 37 paragraph (6), in the form of a photocopy of a deposit slip as referred to in Article 9 letter e.

Article 39

- (1) Approval or rejection of application as referred to in Article 38 shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. analyze, among others, the capacity of the SRB including rating, saturation level, and level of fair competition among banks conducting business based on sharia principles and SRBs.

Article 40

Article 40

- (1) The Branch Office shall open for business no later than 30 (thirty) days after the date of issuance of the license by Bank Indonesia;
- (2) The Board of Directors of the SRB shall inform Bank Indonesia of the opening of a Branch Office as referred to in paragraph (1) no later than 10 (ten) days after the opening date.
- (3) If within the period referred to in paragraph (1) the SRB does not open the Branch Office, the license issued for establishment of the Branch Office shall be declared no longer valid.

Part Two

Opening of Cash Units and Outdoor Cash Services

Article 41

- (1) Any plan for opening of Cash Units and Outdoor Cash Services shall be disclosed in the annual work plan of the SRB.
- (2) Opening of Cash Units and Outdoor Cash Services shall be permitted only in:
 - a. the same Regency/Municipality as the parent SRB office; and/or
 - b. one Regency/Municipality bordering directly on that of the parent SRB office,
within the same province.
- (3) An SRB intending to open a Cash Unit shall meet the requirement for rating of at least fairly sound during the previous 6 (six) months for opening of the Cash Unit.
- (4) A Cash Unit may only open for business after receiving a letter of confirmation from Bank Indonesia.
- (5) Letter of confirmation as referred to in paragraph (3) shall be issued no later than 30 (thirty) days after receipt of the complete application.

Article 42

Article 42

- (1) A Cash Unit shall open for business no later than 30 (thirty) days after the date of confirmation from Bank Indonesia.
- (2) The Board of Directors of the SRB shall submit a report to Bank Indonesia of the opening of a Cash Unit as referred to in paragraph (1) no later than 10 (ten) days after the opening date.
- (3) If within the period referred to in paragraph (1) the SRB does not open the Cash Unit, the previously issued confirmation for opening of the Cash Unit shall be declared no longer valid.

Article 43

Financial statements for Cash Units and Outdoor Cash Services shall be consolidated into the financial statement for the supervising SRB office on the same day.

Article 44

- (1) An SRB shall report the opening of an Outdoor Cash Service to Bank Indonesia.
- (2) Report on opening of an Outdoor Cash Service shall be submitted to Bank Indonesia no later than 10 (ten) days after the opening date.

CHAPTER VII

CHANGE OF OFFICE ADDRESS

Article 45

- (1) The head office and any Branch Office of an SRB may only move address with approval of the Board of Governors of Bank Indonesia.
- (2) The SRB in moving address as referred to in paragraph (1):
 - a. to an area in the same Regency/Municipality shall retain at least the existing level of paid up capital;
 - b. to a different Regency/Municipality shall: 1. comply

1. comply with the paid up capital requirement referred to in Article 4 or Article 37 paragraph (6); or
2. retain the existing level of paid up capital if the paid up capital of the SRB is higher than the capital requirement referred to in Article 4 or Article 37 paragraph (6).

Article 46

- (1) Application for change of address of an SRB office as referred to in Article 45 paragraph (1) shall be submitted by the Board of Directors of the SRB to Bank Indonesia prior to moving address.
- (2) Application for change of address to a different Regency/Municipality shall be accompanied by:
 - a. reasons for the change of address and proof of readiness of the SRB office and its facilities;
 - b. plan for settlement or transfer of claims and liabilities of the SRB;
 - c. feasibility study concerning the new location, including at least economic potential, market opportunities, saturation level and level of fair competition among banks conducting business based on sharia principles and SRBs.
- (3) Application for change of address within the same Regency/Municipality shall enclose the reasons for change of address and proof of readiness of the SRB office and its facilities.

Article 47

- (1) Approval or rejection of application as referred to in Article 46 paragraph (1) shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine

- a. examine and verify the documents;
- b. analyze among others the capacity of the SRB, saturation level, and level of fair competition among banks conducting business based on sharia principles and SRBs.

Article 48

- (1) Change of address shall be announced to customers and the public in the previous domicile of the SRB no later than 10 (ten) days after the date of issuance of the approval for change of address by Bank Indonesia.
- (2) The office shall move address no later than 30 (thirty) days after the date of issuance of the approval for change of address by Bank Indonesia.
- (3) Report of moving address shall be delivered to Bank Indonesia no later than 10 (ten) days after the date of moving address.
- (4) If within the period referred to in paragraph (2) the SRB has not moved address, the previously issued approval for change of address shall be declared no longer valid.

CHAPTER VIII

NAME AND LEGAL INCORPORATION

Part One

Name and Change of Name of SRB

Article 49

- (1) The name and any change of name of an SRB shall comply with the applicable laws and regulations.
- (2) An SRB having obtained approval for change of name from the competent authority shall submit an application to Bank Indonesia for a ruling on use of the operating license held by the SRB under the new name.

(3) Application

- (3) Application as referred to in paragraph (2) shall be submitted by the SRB to Bank Indonesia no later than 30 (thirty) days after the change of name and shall enclose the deed of amendment of articles of association approved by the competent agency, for an SRB legally incorporated as a Limited Liability Company/Regional Government Enterprise, or amendment to the articles of association ratified by a meeting of members for an SRB legally incorporated as a cooperative.
- (4) Based on the application referred to in paragraph (3), Bank Indonesia shall issue a Decree concerning the change of name of the SRB within 30 (thirty) days after receipt of the complete application.
- (5) Change of name of the SRB shall be announced in a local daily newspaper or on the notice board of the local Subdistrict office no later than 10 (ten) days after the date of issuance of the Decree of Bank Indonesia.

Part Two

Conversion of SRB Legal Entity

Article 50

- (1) Conversion of the legal entity of an SRB may only proceed with approval from Bank Indonesia.
- (2) The granting of approval for conversion of the legal entity of an SRB as referred to in paragraph (1) shall take place in two stages:
 - a. approval in principle, meaning approval to conduct preparations for conversion of legal entity of the SRB;
 - b. approval for conversion of operating license, meaning approval granted for conversion of the operating license from the former legal entity to the new legal entity.

Article 51

Article 51

- (1) Application for approval in principle for conversion of the legal entity of an SRB as referred to Article 50 paragraph (2) letter a shall be submitted by the Board of Directors of the SRB to Bank Indonesia prior to the convening of a general meeting of shareholders or meeting of members to adopt a resolution on the conversion of the legal entity of the SRB, enclosing:
 - a. reasons for conversion of legal entity of the SRB;
 - b. draft deed of incorporation of the new legal entity, including articles of association;
 - c. plan for transfer of all rights and liabilities from the former legal entity to the new legal entity;
 - d. documents as referred to in Article 6 paragraph (1) letter c in the event of any change in the members of the Board of Commissioners and/or Board of Directors; and
 - e. list of ownership as referred to in Article 6 paragraph (1) letter b and paragraph (2) in the event of any change.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. interview the proposed shareholders and candidates for the Board of Commissioners and/or Board of Directors, in the event of any change.
- (3) Approval or rejection of application as referred to in paragraph (1) shall be issued no later than 30 (thirty) days after the receipt of the complete application.

Article 52

- (1) Application for conversion of the operating license of the SRB from the former legal entity to a new legal entity as referred to in Article 50 paragraph (2) shall be submitted by the Board of Directors of the SRB to Bank Indonesia, enclosing:

a. deed of

- a. deed of incorporation of the new legal entity, including articles of association approved by the competent authority;
 - b. list of members of the Board of Commissioners and Board of Directors, enclosing documents as referred to in Article 6 paragraph (1) letter c, in the event of any change;
 - c. list of ownership as referred to in Article 6 paragraph (1) letter b and paragraph (2), in the event of any change;
 - d. draft official record of transfer of all rights and liabilities from the former legal entity to the new legal entity;
 - e. minutes of the general meeting of shareholders or meeting of members of the former legal entity approving the conversion of legal entity and dissolution of the former legal entity.
- (4) With regard to approval or rejection of conversion of operating license, Bank Indonesia shall:
- a. examine and verify the documents;
 - b. interview the shareholders and members of the Board of Commissioners and/or Board of Directors, in the event of any change.
- (2) Approval or rejection of application for conversion of operating license from former legal entity to a new legal entity shall be issued no later than 30 (thirty) days after receipt of the complete application.

Article 53

- (1) The former legal entity may only be dissolved after:
- a. Bank Indonesia has issued approval for conversion of operating license as referred to in Article 52 paragraph (3);
 - b. transfer of all rights and liabilities from the former legal entity to the new legal entity has been completed in accordance with the official record referred to in Article 52 paragraph (1) letter d.

(2). Conversion

- (2) Conversion of the legal entity of the SRB shall be announced to customers and the public in the domicile of the SRB and Branch Offices of the SRB no later than 10 (ten) days after the date of issuance of the Decree of Bank Indonesia.

CHAPTER IX

CONVERSION OF BUSINESS

Article 54

- (1) An RB conducting conventional business may only convert to RB conducting business based on sharia principles pursuant to a license granted by the Board of Governors of Bank Indonesia.
- (2) Conversion of the business of an RB as referred to in paragraph (1) may only proceed if it is disclosed in the annual work plan of the RB.
- (3) License as referred to in paragraph (1) shall be issued in two stages:
 - a. approval in principle, meaning approval to conduct preparations for conversion of business;
 - b. license for conversion of business, meaning a license issued to conduct business as an SRB, after the preparations referred to in letter a are completed.

Article 55

Application for approval in principle as referred to in Article 54 paragraph (3) letter a shall be submitted by the Board of Directors of the RB to the Board of Governors of Bank Indonesia, accompanied by reasons for conversion and enclosing:

- a. draft amendment to the articles of association expressly stipulating that the RB shall conduct Business Based on Sharia Principles and the position and duties of the Sharia Supervisory Board;
- b. planned organizational structure, including personnel;
- c. plan for

- c. plan for settlement of all rights of and obligations of the RB toward customers unwilling to become customers of an SRB;
- d. business plan for the first year stating at least:
 - 1. business plan encompassing the mobilization and channeling of funds as well as the measures to be taken to realize the plan;
 - 2. planned personnel requirements;
 - 3. cash flow projection for the first 36 (thirty-six) months after the SRB commences operations and balance sheet and income statement projection;
- e. feasibility study for establishment of the SRB, including but not limited to findings of a study on market openings and economic potential in the Regency/Municipality of domicile and the operating territory of the SRB;
- f. ownership data as referred to in Article 6 paragraph (2) letter b in the event of replacement and/or addition to the owners, accompanied by documents as referred to in Article 6 paragraph (2);
- g. list of members of the Board of Commissioners and Board of Directors and/or candidates for the Board of Commissioners and Board of Directors in the event of any replacement, meeting the requirements referred to in Article 21, Article 22, Article 23, and Article 24 and enclosing the documents referred to in Article 9 paragraph (1) letter c, letter h, letter i, letter j, and letter k;
- h. list of members of the Sharia Supervisory Board meeting the requirements referred to in Article 28 and Article 30 and enclosing the documents referred to in Article 9 paragraph (1) letter c.

Article 56

- (1) Approval or rejection of the application for approval in principle as referred to in Article 55 shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:

a. examine

- a. examine and verify the documents;
- b. analyze among others the level of fair competition and saturation level among banks conducting business based on sharia principles and SRBs;
- c. interview the proposed Controlling Shareholder(s) and candidates for the Board of Commissioners, candidates for the Board of Directors, and Sharia Supervisory Board.

Article 57

- (1) Approval in principle as referred to in Article 56 paragraph (1) shall be effective for 180 (one hundred and eighty) days after the date of issuance of the approval in principle, and shall be non-extendable.
- (2) An RB having obtained approval in principle as referred to in Article 56 paragraph (1) shall be prohibited from conducting business based on sharia principles prior to receiving a license for conversion of business.
- (3) If within the period referred to in paragraph (1) the RB has not submitted an application for license for conversion of business, the previously issued approval in principle shall be declared no longer valid.

Article 58

Application for license for conversion of business as referred to in Article 54 paragraph (3) letter b shall be submitted by the Board of Directors of the RB to the Board of Governors of Bank Indonesia, enclosing the following:

- a. deed of amendment to the articles of association expressly stipulating that the RB shall conduct business based on Sharia Principles and the position and duties of the Sharia Supervisory Board, approved by the competent authority;
- b. proof of operational readiness as referred to in Article 9 letter f;
- c. organizational structure and personnel, in the event of any change;
- d. report on the outcome and plan for follow-up concerning the settlement of rights and obligations toward the customers of the RB;
- e. ownership

- e. ownership data as referred to in Article 6 paragraph (1) letter b, enclosing documents as referred to in Article 6 paragraph (2), in the event of any change;
- f. list of members of the Board of Directors and Board of Commissioners, and/or candidates for the Board of Directors and Board of Commissioners, meeting the requirements referred to in Article 21, Article 22, Article 23, and Article 24, and enclosing documents as referred to in Article 9 paragraph (1) letter c, in the event of any change;
- g. list of members of the Sharia Supervisory Board, meeting the requirements referred to in Article 28 and Article 30 and enclosing documents as referred to in Article 9 paragraph (1) letter c, in the event of any change;
- h. personal statements from shareholders as referred to in Article 9 letter g;
- i. personal statements from the Board of Directors and Board of Commissioners as referred to in Article 9 letter h, letter i, and letter k.

Article 59

- (1) Approval or rejection of a license for conversion of business as referred to in Article 58 shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to the approval or rejection of a license for conversion of business as referred to in paragraph (1) Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. interview the owners and members of the Board of Directors, Board of Commissioners, and Sharia Supervisory Board, in the event of any replacement.
- (3) If within a period of 30 (thirty) days after the date of issuance of the license conversion of business, the RB has not opened business based on sharia principles, the previously issued approval in principle for conversion shall be declared no longer valid.

Article 60

Article 60

- (1) The RB shall report the implementation of conversion of business to Bank Indonesia no later than 10 (ten) days after the date of opening of business based on sharia principles.
- (2) An RB which has obtained a license for conversion of business shall settle all rights and liabilities toward creditors and debtors arising from conventional business no later than 360 (three hundred and sixty) days after the date of issuance of the license for conversion of business.
- (3) An RB that has obtained a license for conversion of business is prohibited from conducting conventional banking operations, except for settlement of transactions as referred to in paragraph (2).

Article 61

An RB that has obtained a license for conversion to Business Based on Sharia Principles shall clearly state the word "*Syariah*" (Sharia) after the words "*Bank Perkreditan Rakyat*" (Rural Bank) in the inscription of its name.

CHAPTER X

CLOSURE OF OFFICE

Article 62

- (1) An SRB Branch Office may be closed only with approval from Bank Indonesia.
- (2) Application for closure of office as referred to paragraph (1) shall be submitted by the Board of Directors of the SRB to Bank Indonesia prior to the closure of the SRB office, enclosing the reasons for closure and settlement of liabilities to customers and other parties.
- (3) Approval or rejection of application for closure of office as referred to in paragraph (1) shall be issued no later than 30 (thirty) days after:

a. receipt

- a. receipt of the complete application; and
 - b. all liabilities have been settled, as confirmed by examination.
- (4) Closure of an office as referred to in paragraph (1) shall be announced to customers and the public in the subdistrict and at offices in the domicile of the SRB no later than 10 (ten) days after the date of approval for closure issued by Bank Indonesia.
- (5) Closing of business of office approved for closure as referred to in paragraph (4) shall be reported to Bank Indonesia no later than 10 (ten) days after the date of closure.

Article 63

- (1) Any plan for closure of a Cash Unit shall be reported to Bank Indonesia, accompanied by reasons for closure, no later than 30 (thirty) days prior to the closure.
- (2) Report of closure of Cash Unit as referred to in paragraph (1) shall be submitted to Bank Indonesia no later than 10 (ten) days after the date of closure.

Article 64

- (1) Any temporary office closure by an SRB other than an official holiday shall require approval from Bank Indonesia.
- (2) Application for temporary office closure shall be submitted by the Board of Directors of the SRB to Bank Indonesia no later than 30 days before the temporary closure.
- (3) Approval or rejection of approval for temporary office closure shall be issued no later than 10 (ten) days after receipt of the complete application.
- (4) The SRB shall announce the planned closure to the public no later than 14 days prior to closure, after obtaining approval from Bank Indonesia.
- (5) Temporary office closure as referred to in paragraph (1) shall not exceed 5 (five) working days within 1 (one) calendar year.

CHAPTER XI.....

CHAPTER XI

MISCELLANEOUS PROVISIONS

Article 65

An SRB shall duly administer:

- a. the register of shareholders and amendments thereto, for an SRB legally incorporated as a Limited Liability Company/Regional Government Enterprise;
- b. the register of members and amendments thereto, for an SRB legally incorporated as a Cooperative.

CHAPTER XII

SANCTIONS

Article 66

- (1) Any SRB failing to comply with the provisions of Article 12, Article 13, Article 14, Article 15, Article 16, Article 17 paragraph (2), Article 20, Article 21, Article 22, Article 23, Article 24, Article 26, Article 27, Article 28, Article 29 paragraph (1), Article 30, Article 31 paragraph (1) and paragraph (2), Article 33 paragraph (1), Article 34, Article 35, Article 36 paragraph (2), Article 41 paragraph (4), Article 43, Article 45, Article 49 paragraph (2), Article 50 paragraph (1), Article 53 paragraph (1), Article 54 paragraph (1), Article 57 paragraph (2), Article 60 paragraph (2) and paragraph (3), Article 61, Article 62 paragraph (1), Article 64 paragraph (1), and Article 65, shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

(2) Any

- (2) Any SRB failing to comply with the provisions of Article 11 paragraph (2), Article 17 paragraph (1) and paragraph (4), Article 18 paragraph (1), Article 19, Article 25, Article 33 paragraph (2) and paragraph (3), Article 40 paragraph (2) and paragraph (3), Article 42 paragraph (2), Article 44, Article 48 paragraph (1) and paragraph (3), Article 49 paragraph (3) and paragraph (5), Article 53 paragraph (2), Article 60 paragraph (1), Article 62 paragraph (4) and paragraph (5), Article 63 paragraph (2), and Article 64 paragraph (4) shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, comprising:
- a. written warning and a fine of Rp 100,000 (one hundred thousand rupiahs) for each late report;
 - b. written warning and a fine of Rp 250,000 (two hundred and fifty thousand rupiahs) if the SRB fails to submit a report.
- (3) An SRB shall be found not to have submitted a report as referred to in paragraph (2) letter b if the SRB has not submitted the report in question within 30 (thirty) days of the deadline for submission of the report.
- (4) Any party failing to comply with the provisions of Article 3 paragraph (1), Article 8 paragraph (2), and Article 37 paragraph (1) shall be liable to criminal penalties in accordance with Article 46 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

CHAPTER XIII

TRANSITIONAL PROVISIONS

Article 67

- (1) Approval in principle issued by Bank Indonesia concerning establishment of an SRB prior to the enactment of this Bank Indonesia Regulation shall remain valid.

(2) Application.....

- (2) Application for establishment, opening of office, change of address, change of name and conversion of legal entity, conversion of business, and closure of office submitted to Bank Indonesia and pending the issue of approval or rejection shall be finalized under this Bank Indonesia Regulation.
- (3) The requirement that members of the Board of Directors shall possess at least formal education at the level of Diploma III or Undergraduate as referred to in Article 22 paragraph (3) shall be waived for members of the Board of Directors of SRBs approved by Bank Indonesia and appointed to their positions prior to the enactment of this Bank Indonesia Regulation.

Article 68

- (1) Any SRB failing to comply with the requirements of Article 22 paragraph (1), paragraph (2), and paragraph (4), and Article 35 paragraph (2) shall bring itself into compliance with these provisions no later than 1 (one) year commencing from the date of enactment of this Bank Indonesia Regulation.
- (2) Any member of the Board of Directors and Board of Commissioners of an SRB failing to comply with the requirements of Article 22 paragraph (5), Article 23 paragraph (1), and Article 24 paragraph (1) shall bring him/herself into compliance with these provisions no later than 1 (one) year commencing from the date of enactment of this Bank Indonesia Regulation.
- (3) Any member of a Sharia Supervisory Board failing to comply with the requirements of Article 30 shall bring him/herself into compliance with these provisions within a period of no more than 3 (three) years of the date of enactment of this Bank Indonesia Regulation.

Article 69

- (1) With the enactment of this Bank Indonesia Regulation, Decree of the Management of Bank Indonesia Number 32/36/KEP/DIR dated May 12, 1999,

1999, concerning Rural Banks Based on Sharia Principles is revoked and declared no longer valid.

- (2) With the enactment of this Bank Indonesia Regulation, CHAPTER X concerning Conversion of Business in Decree of the Management of Bank Indonesia No. 32/35/KEP/DIR dated May 12, 1999, concerning Rural Banks is revoked and declared no longer valid.

CHAPTER XIV

CONCLUDING PROVISIONS

Article 70

The implementation provisions concerning Rural Banks Based on Sharia Principles shall be stipulated further in a Circular Letter of Bank Indonesia.

Article 71

This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta

Dated: July 1, 2004

THE GOVERNOR OF BANK INDONESIA

(signed)

BURHANUDDIN ABDULLAH

**ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 6/ 17 /PBI/2004

CONCERNING

RURAL BANKS BASED ON SHARIA PRINCIPLES**

I. GENERAL REVIEW

In view of the rapid changes, dynamic challenges, and increasing complexity of the national economy and to provide access to low income people at all levels, it has become necessary to introduce a comprehensive, transparent banking policy providing legal certainty, among others in regard to regulation of ownership and capital, management, network expansion, and conversion of business operations of RBs.

The sharia banking industry has undergone rapid growth in regard to assets and establishment of banks or networks. However, rapid growth in sharia banking is still insufficient when compared to the public need for sharia banking services. To provide maximum access to services to the public and especially lower income groups, an adequate office network is needed that in this case is provided through Rural Banks conducting business based on sharia principles (SRBs).

For expansion of the office network to progress, it is necessary for this expansion to be supported by provisions that facilitate the opening of offices for the network, as mandated by the Indonesian Banking Architecture and the blueprint for sharia banking.

II. ARTICLE ...

II. ARTICLE BY ARTICLE

Article 1

Number 1

Self-explanatory

Number 2

Self-explanatory

Number 3

Self-explanatory

Number 4

Self-explanatory

Number 5

Self-explanatory

Number 6

Self-explanatory

Number 7

Self-explanatory

Number 8

Self-explanatory

Number 9

Self-explanatory

Number 10

Self-explanatory

Number 11

Self-explanatory

Number 12

Self-explanatory

Article 2 ...

Article 2

Self-explanatory

Article 3

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 4

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Article 5

Self-explanatory

Article 6

Paragraph (1)

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c ...

Letter c

Self-explanatory

Letter d

Composition and structure of organization and personnel includes but is not limited to the organizational chart, horizontal and vertical lines of responsibility, and the positions and names of personnel at least to the level of Executive Officer.

Letter e

Self-explanatory

Letter f

Self-explanatory

Letter g

“Commercial bank” is defined as a commercial bank conducting Business Based on Sharia Principles and/or a sharia branch office or sharia sub-branch office of a conventional commercial bank.

Letter h

If a proposed shareholder of an SRB is incorporated as a legal entity, the personal statement shall be made and delivered by the management duly authorized to represent the legal entity concerned.

Number 1

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included ...

Not included in the definition of other party is the
Central Government or Regional Government.

Number 2

Self-explanatory

Number 3

Self-explanatory

Paragraph (2)

Letter a

Self-explanatory

Letter b

Number 1

Self-explanatory

Number 2

Self-explanatory

Number 3

Self-explanatory

Number 4

Self-explanatory

Number 5

Self-explanatory

Number 6

Self-explanatory

Number 7

“Business group” is defined as:

- a. natural and legal persons;
- b. several natural persons; or
- c. several legal entities,

having ...

having management, ownership, or financial ties.

Number 8

Self-explanatory

Number 9

Self-explanatory

Number 10

A personal statement by a Controlling Shareholder incorporated as a legal entity shall be made and delivered by the management duly authorized to represent the legal entity concerned.

If an SRB comprises part of the holdings of a business group, the personal statements shall be delivered by parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

The requirement to submit this personal statement is waived in the event that the Controlling Shareholder is the Central Government or Regional Government.

Article 7

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct an examination to verify the integrity of documents.

Letter b ...

Letter b

Self-explanatory

Letter c

The scope of the interviews will include but not be limited to integrity and/or competence.

Interviews shall be conducted for persons:

- i. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- ii. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

In the event that the nominee Controlling Shareholder of an SRB is incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If an SRB comprises part of the holdings of a business group, the interview of the proposed Controlling Shareholder(s) shall be conducted for parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there ...

If there is no nominee Controlling Shareholder, an interview shall be conducted for a specified proposed founding shareholder according to the assessment of Bank Indonesia.

Paragraph (3)

Self-explanatory

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 9

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

“Commercial bank” is defined as a commercial bank conducting Business Based on Sharia Principles and/or a sharia branch office or sharia sub-branch office of a conventional commercial bank.

Letter f ...

Letter f

Number 1

“Fixed assets and inventory” is defined as tangible assets acquired in serviceable or previously constructed form and used in the operations of the SRB, not intended for sale/lease as part of the business of the SRB.

Number 2

Self-explanatory

Number 3

Self-explanatory

Number 4

Self-explanatory

Number 5

Self-explanatory

Number 6

Self-explanatory

Number 7

“Supporting facilities for sharia supervision” is defined as office equipment in the form of desks, chairs, space, and/or office supplies, SRB internal personnel, and other facilities necessary for the smooth operation of sharia supervision by the Sharia Supervisory Board. The provision of support and facilities shall be adjusted to the capacity and needs of the SRB.

Letter g ...

Letter g

Number 1

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included in the definition of other party is the Central Government or Regional Government.

Number 2

Self-explanatory

Number 3

Self-explanatory

Letter h :

Number 1

“Other bank” is defined as a commercial bank conducting Business Based on Sharia Principles, a conventional commercial bank conducting Business Based on Sharia Principles, and/or SRB.

Number 2

Self-explanatory

Letter i :

The provision in this paragraph is intended so that no member of the Board of Directors engages in activities that may interfere with the performance of tasks and responsibilities for the Board of Directors of the SRB.

Letter j

Self-explanatory

Letter k

Self-explanatory

Letter l ...

Letter l

Self-explanatory

Article 10

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct an examination to verify the integrity of documents.

Letter b

The scope of the interviews will include but not be limited to integrity and/or competence.

Interviews shall be conducted for persons:

- i. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- ii. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

If the proposed Controlling Shareholder of an SRB is incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If an SRB comprises part of the holdings of a business group, the interviews of the proposed Controlling

Shareholder(s) ...

Shareholder(s) shall be conducted for parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a specified proposed founding shareholder according to the assessment of Bank Indonesia.

Article 11

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 12

Self-explanatory

Article 13

Paragraph (1)

“Net worth” is defined as net worth according to the applicable laws and regulations for the legal entity concerned.

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Article 14

Letter a

The provisions in this Letter are waived if the owner of the SRB is a Regional Government.

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included in the definition of other party is the Central Government or Regional Government.

Letter b

Self-explanatory

Letter c

Self-explanatory

Article 15

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 16

Change of ownership encompasses replacement and/or addition of new shareholders and/or change in composition of share ownership among the

existing ...

existing shareholders without replacement or addition of new shareholders.

Article 17

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory.

Article 18

Paragraph (1)

Change of composition of ownership in this paragraph is change in level of share ownership among the existing shareholders without replacement or addition of new shareholders.

Paragraph (2)

The submission of minutes of the general meeting of shareholders shall enclose proof of notification to the competent agency.

These minutes are minutes of the general meeting of shareholders for a Limited Liability Company entity or minutes of meeting of members for a Cooperative entity.

Paragraph (3)

Self-explanatory

Article 19 ...

Article 19

Self-explanatory

Article 20

Self-explanatory

Article 21

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Letter a

- i. “knowledge in banking” is defined as having knowledge of SRB regulations and operations.
- ii. “experience in banking and/or finance” is defined as experience in the operations, marketing, bookkeeping, funding, credit, money market operations, and/or legal affairs pertaining to banking.
- iii. “strategic management capacity” is defined as the ability to anticipate regional economic, financial, and banking developments, translate the vision into the mission of the SRB, and analyze the situation in the banking industry.

Letter b

- i. “knowledge in banking” is defined as having knowledge of SRB regulations and operations.

ii. “experience ...

- ii. “experience in banking” is defined as experience in the operations, marketing, bookkeeping, funding, credit, money market operations, and/or legal affairs pertaining to banking.

Paragraph (4)

Letter a

The definition of included on the list of bad debts is when a proposed member of the Board of Commissioners and Board of Directors owes bad debts and/or is on the management of a legal entity that owes bad debts.

Letter b

Self-explanatory

Article 22

Paragraph (1)

Self-explanatory

Paragraph (2)

In this matter, knowledge in sharia banking proven by certification from a sharia banking educational/training institution includes a transcript of the examination scores for subjects in sharia banking, including but not limited to the subjects of sharia products, agreements, and accounting.

Paragraph (3)

Equivalent to Diploma III or Undergraduate shall be attested by written statement from the higher educational institution concerned.

Paragraph ...

Paragraph (4)

Self-explanatory

Paragraph (5)

Assessment of independence shall be based on the management, ownership, and/or financial ties with the entire business group of the Controlling Shareholder(s).

Article 23

Paragraph (1)

Family ties to the first degree are relationships along vertical and horizontal lines of descent, including parents-in-law, son/daughter-in-law, and brother/sister-in-law, so that the definition of family ties encompasses the following:

1. birth/step-parent and parent by adoption;
2. sibling including half-brother/sister and sibling by adoption;
3. spouse;
4. child including step-child and child by adoption;
5. son/daughter-in-law, including spouse of step-child and child by adoption;
6. brother/sister-in-law including half-brother/half-sister of spouse and sibling of spouse by adoption;
7. parents-in-law.

Paragraph (2)

The provision in this paragraph is intended so that no member of the Board of Directors engages in activities that may interfere with the performance of tasks and responsibilities for the Board of Directors of the SRB.

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

“Domiciled within commuting distance” is a distance that can be covered by land or water transportation in a maximum of 2 hours under normal conditions.

Article 24

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

“Experience in banking” is defined as experience in conventional and/or sharia banking.

Paragraph (4)

“Other bank” is defined as a commercial bank conducting Business Based on Sharia Principles, a conventional commercial bank conducting Business Based on Sharia Principles, and/or SRB.

Article 25

Self-explanatory

Article 26

“Conflict of interest” is defined as including but not limited to conflict between the economic interest of the SRB and the personal economic interest of an owner, member of the Board of Commissioners, member of

the Board ...

the Board of Directors, Executive Officer of the SRB, and/or other related party.

The provisions of this Article are in essence intended so that members of the Board of Commissioners, members of the Board of Directors, and Executive Officers of the SRB avoid making decisions that are detrimental or potentially detrimental to the SRB.

The definition of detrimental to the SRB includes activities resulting in foregone profits for the SRB.

Article 27

Self-explanatory

Article 28

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

“Sharia mu’amalah” is defined as social relationships, including business, that are consistent with or based on sharia principles.

Paragraph (4)

Self-explanatory

Letter a

The definition of included in the list of bad debts/financing is a case in which a candidate for the Sharia Supervisory Board owes bad debts and/or is on the management of a legal entity that owes bad debts.

Letter b ...

Letter b

Self-explanatory

Article 29

Paragraph (1)

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

The published report referred to herein is as stipulated in the applicable regulations.

Letter e

Self-explanatory

Paragraph (2)

Self-explanatory

Article 30

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4) ...

Paragraph (4)

The Sharia Supervisory Board is an affiliated party because it provides services to the SRB.

Article 31

Paragraph (1)

Approval or rejection of candidates for the Board of Commissioners and candidates for the Board of Directors shall be based on the fit and proper test under the applicable regulations.

Appointment shall thereafter be made by a General Meeting of Shareholders or Meeting of Members under the applicable regulations.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 32

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory

Letter b ...

Letter b

The scope of the interviews will include but not be limited to integrity and/or competence.

Interviews shall be conducted for persons:

- i. previously employed in banking institutions; or
- ii. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

If the proposed Controlling Shareholder of an SRB is incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If an SRB comprises part of the holdings of a business group, the interview of proposed Controlling Shareholder(s) shall be conducted for parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a specified proposed founding shareholder according to the assessment of Bank Indonesia.

Article 33

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 34

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 35

Paragraph (1)

Bank Indonesia will assess the new product and service, among others in regard to prudential principles, compliance with sharia, and the applicable banking regulations.

Paragraph (2)

“Fixed assets and inventory” is defined as tangible assets acquired in serviceable or previously constructed form and used in the operations of the SRB, not intended for sale/lease as part of the business of the SRB.

Article 36 ...

Article 36

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 37

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Article 38

Self-explanatory

Article 39

Paragraph (1)

Self-explanatory

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Article 40

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 41

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 42

Paragraph (1)

Self-explanatory

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 43

Self-explanatory

Article 44

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 45

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 46

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 47 ...

Article 47

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 48

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 49

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5) ...

Paragraph (5)

Self-explanatory

Article 50

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 51

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 52

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 53 ...

Article 53

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 54

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 55

Self-explanatory

Article 56

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct an examination to verify the integrity of documents.

Letter b

Self-explanatory

Letter c ...

Letter c

The scope of the interviews will include but not be limited to integrity and/or competence.

Interviews shall be conducted for persons:

- i. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- ii. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

If the proposed Controlling Shareholder of an SRB is incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If an SRB comprises part of the holdings of a business group, the interview of the proposed Controlling Shareholder(s) shall be conducted for parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a specified proposed founding shareholder according to the assessment of Bank Indonesia.

Article 57

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 58

Self-explanatory

Article 59

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct an examination to verify the integrity of documents.

Letter b

The scope of the interviews will include but not be limited to integrity and/or competence.

Interviews shall be conducted for persons:

- a. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom

further ...

further information is required concerning the integrity and/or competence of the person concerned.

If the proposed Controlling Shareholder of an SRB is incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If an SRB comprises part of the holdings of a business group, the interview of the Controlling Shareholder(s) shall be conducted for parties that in the opinion of Bank Indonesia exercise control whether directly or indirectly of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no nominee Controlling Shareholder, an interview shall be conducted for a specified proposed founding shareholder according to the assessment of Bank Indonesia.

Paragraph (3)

Self-explanatory

Article 60

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Article 61

Self-explanatory

Article 62

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 63

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 64

Paragraph (1)

Self-explanatory

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 65

Self-explanatory

Article 66

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 67

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Article 68

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 69

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 70

Self-explanatory

Article 71

Self-explanatory